Senate Study Bill 1184 - Introduced

| SEN | ATE FILE |
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| ВУ | (PROPOSED COMMITTEE |
| | ON COMMERCE BILL BY |
| | CHAIRPERSON SCHULTZ) |

A BILL FOR

- 1 An Act relating to cities that own or operate a municipal
- 2 utility providing telecommunications services and municipal
- 3 utilities providing such services.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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- 1 Section 1. Section 388.10, subsection 1, paragraph a,
- 2 subparagraphs (1) and (4), Code 2021, are amended to read as
- 3 follows:
- 4 (1) Use general fund moneys for the ongoing support or
- 5 subsidy of a telecommunications system, except as provided in
- 6 section 388.10, subsection 1, paragraph "a", subparagraph (6).
- 7 (4) Use funds or revenue generated from electric, gas,
- 8 water, sewage, or garbage services provided by the city for the
- 9 ongoing support of any city telecommunications system, except
- 10 as provided in section 388.10, subsection 1, paragraph "a",
- 11 subparagraph (5).
- 12 Sec. 2. Section 388.10, subsection 1, paragraph a, Code
- 13 2021, is amended by adding the following new subparagraphs:
- 14 NEW SUBPARAGRAPH. (5) Lend funds or revenue generated from
- 15 electric, gas, water, sewage, or garbage services provided by
- 16 the city at an interest rate which is less than the prevailing
- 17 market rate for comparable lending by a financial institution.
- 18 NEW SUBPARAGRAPH. (6) Lend moneys from the general fund or
- 19 reserve fund to a telecommunications system at an interest rate
- 20 which is less than the prevailing market rate for comparable
- 21 lending by a financial institution.
- 22 NEW SUBPARAGRAPH. (7) Forgive any loan, indebtedness, or
- 23 bonds extended by the city to a telecommunications system.
- 24 NEW SUBPARAGRAPH. (8) Provide telecommunications services
- 25 or access to telecommunications system facilities, equipment,
- 26 or services at a cost which is less than the reasonable cost of
- 27 providing such facilities, equipment, or services or access to
- 28 such facilities, equipment, or services.
- 29 NEW SUBPARAGRAPH. (9) Provide a telecommunications system
- 30 with any municipal utility facilities, equipment, or services
- 31 at a cost for such facilities, equipment, or services which is
- 32 less than the reasonable cost of providing such facilities,
- 33 equipment, or services.
- 34 NEW SUBPARAGRAPH. (10) Sell or offer to sell
- 35 telecommunications services to any customer or prospective

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- 1 customer in the same transaction as electric, gas, water,
- 2 sewage, or garbage services are sold or offered for sale.
- 3 Sec. 3. Section 388.10, subsection 1, paragraph b, Code
- 4 2021, is amended by adding the following new subparagraph:
- 5 NEW SUBPARAGRAPH. (01) "Financial institution" means a bank
- 6 or credit union as defined in section 12C.1.
- 7 Sec. 4. Section 388.10, subsection 2, paragraphs a and b,
- 8 Code 2021, are amended to read as follows:
- 9 a. Prepare and maintain records which record the full cost
- 10 accounting of providing telecommunications services. The
- 11 records shall show the amount and source of capital for initial
- 12 construction or acquisition of the telecommunications system
- 13 or facilities. The records shall be public records subject to
- 14 the requirements of chapter 22. Information in the records
- 15 that is not subject to examination or copying as provided in
- 16 section 388.9, subsection 2, may be expunged from the records
- 17 prior to public disclosure. This section shall not prohibit
- 18 a municipal utility from utilizing capital from any lawful
- 19 source, provided that the reasonable cost of such capital is
- 20 accounted for as a cost of providing the service, and provided
- 21 that the interest rate associated with obtaining the capital
- 22 does not exceed a rate that is greater than the prevailing
- 23 market rate for comparable lending by a financial institution.
- 24 In accounting for the cost of use of any city employees,
- 25 facilities, equipment, or services, a city or municipal utility
- 26 may make a reasonable allocation of the cost of use of any
- 27 city employees, facilities, equipment, or services used by
- 28 the municipal utility based upon reasonable criteria for the
- 29 distribution of the cost of use in any manner which is not
- 30 inconsistent with generally accepted accounting principles.
- 31 b. Adopt rates for the provision of telecommunications
- 32 services that reflect the actual cost of providing the
- 33 telecommunications services. However, this paragraph shall not
- 34 prohibit the municipal utility from establishing market-based
- 35 prices for competitive telecommunications services.

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- 1 Sec. 5. Section 388.10, subsection 3, Code 2021, is amended 2 to read as follows:
- 3 3. This section shall not prohibit the marketing or
- 4 bundling of other products or telecommunications services,
- 5 in addition to telecommunications services. However, a city
- 6 shall include on a billing statement sent to a person receiving
- 7 telecommunications services from the city, a separate charge
- 8 for each telecommunications service provided to the person.
- 9 This subsection does not prohibit the city from also including
- 10 on the billing statement a total amount to be paid by the 11 person.
- 12 Sec. 6. Section 388.10, Code 2021, is amended by adding the
- 13 following new subsection:
- 14 NEW SUBSECTION. 5. This section shall not apply to any city
- 15 in which greater than one-third of the United States census
- 16 bureau census blocks within the city are targeted service
- 17 areas, as defined in section 8B.1.
- 18 EXPLANATION
- The inclusion of this explanation does not constitute agreement with the explanation's substance by the members of the general assembly.
- 21 This bill relates to cities that own or operate a municipal
- 22 utility providing telecommunications services and municipal
- 23 utilities providing telecommunications services.
- 24 The bill prohibits cities that own or operate a municipal
- 25 utility and the municipal utility itself from lending funds
- 26 or revenue generated from electric, gas, water, sewage, or
- 27 garbage services at an interest rate that is less than the
- 28 prevailing market rate. The bill also prohibits these cities
- 29 and municipal utilities from lending moneys from the general
- 30 fund or reserve fund to a telecommunications system at an
- 31 interest rate that is less than the prevailing market rate.
- 32 The bill prohibits such cities and municipal utilities from
- 33 forgiving any indebtedness extended to a telecommunications
- 34 system.
- 35 Further, these cities and municipal utilities are

- 1 prohibited from providing telecommunications services or
- 2 access to telecommunications system facilities or equipment
- 3 at a cost which is less than the reasonable cost of
- 4 providing the telecommunications services or access to the
- 5 telecommunications system facilities or equipment, and from
- 6 providing telecommunications systems with any city or municipal
- 7 utility facilities, equipment, or services at a cost for such
- 8 facilities, equipment, or services which is less than the
- 9 reasonable cost of providing such city or municipal utility
- 10 facilities, equipment, or services.
- 11 Additionally, the bill prohibits such cities and municipal
- 12 utilities from selling or offering to sell telecommunications
- 13 services to any customer or prospective customer in the
- 14 same transaction as electric, gas, water, sewage, or garbage
- 15 services are sold or offered for sale.
- 16 The bill provides a maximum interest rate at which a
- 17 municipal utility can obtain capital to finance the initial
- 18 construction or acquisition of telecommunications systems or
- 19 facilities.
- 20 Current law provides municipal utilities shall not
- 21 be prohibited from establishing market-based prices for
- 22 competitive telecommunications services. The bill removes that
- 23 provision.
- 24 Current law provides cities that own or operate a municipal
- 25 utility and the municipal utility itself are not prohibited
- 26 from marketing or bundling other products or services, in
- 27 addition to telecommunications services. The bill amends this
- 28 provision to remove reference to other products or services and
- 29 substitutes instead telecommunications services.
- 30 The bill provides that Code section 388.10 shall not apply
- 31 to any city in which greater than one-third of the United
- 32 States census bureau census blocks within the city are targeted
- 33 service areas, as defined in Code section 8B.1.